

**MINUTES
REGULAR MEETING
RETIREMENT BOARD OF TRUSTEES
EMPLOYEES' RETIREMENT SYSTEM OF THE CITY OF BATON ROUGE
AND PARISH OF EAST BATON ROUGE
MAY 28, 2020**

The regular meeting of the Retirement Board of Trustees was held in the Metropolitan Council Chambers at 222 St. Louis Street, due to social distancing requirements, and was called to order at 10:07 a.m. by Board Chairman Ms. Marsha Hanlon. Members participating: Mr. Mark LeBlanc, Mr. Joseph Toups, Mr. David West, and Mr. Brian Bernard. Absent: Sergeant Neal Noel and Mr. Britt Hines. Staff participating: Mr. Jeffrey Yates, Mr. Russell Smith, Mr. Kyle Drago, and Mr. Mark Williams. Others participating: Ms. Denise Akers – legal counsel, Ms. Shelley Johnson – Foster & Foster Actuaries, and Ms. Linda Hunt – Finance Department.

Mr. Jeffrey Yates formally called the roll.

The chairman began by introducing Item 1, Reading and Approval of Minutes, and noted that there were minutes being considered for approval from the regular meeting of April 30, 2020, and called for a motion.

Motion by Mr. LeBlanc, seconded by Mr. West to suspend the reading of, and approve the minutes of the regular meeting of April 30, 2020 as presented.

There were no objections to the motion.

Motion passed by those members present.

Under Item 2, Disability, there were no applications for consideration for disability retirement.

The next item on the agenda was Item 3, Benefits Report, and the chairman called on Mr. Yates to present the report. Mr. Yates stated that the report was in order as presented, and that the staff had prepared the report in advance, and had reviewed it prior to the meeting. He noted that there were a number of DROP entries being caught up from the prior months because of the pandemic and the resulting shortage in staff. He noted that the delays in presenting these members would have no effect on the members' DROP accounts. He stated that he would answer any questions.

Motion by Mr. LeBlanc, seconded by Mr. Toups to approve the Benefits Report as presented.

No discussion and no objections.

Motion passed by those members present.

The next item on the agenda was Item 4, DROP Notifications Report, and it was noted that this report was provided for informational purposes only, and no action was necessary.

The chairman then moved to Item 5, Consultants' Reports, and recognized Ms. Akers for her report. Ms. Akers stated that she would cover the highlights of the current securities litigations and the status of each case, but that if detailed information was needed she would discuss the cases further. She began with the Macrogenics securities litigation, and proceeded with the Greensky case. In the Impinj case she noted that a conference call had been held with the securities litigation attorneys and that a settlement was being negotiated. She noted that it was standard procedure for the Board to authorize legal counsel and perhaps the administrator to agree to settlement terms on the Board's behalf. Ms. Akers continued the update with the Energy Transfer, LP case, and the Merit Medical case. Next she talked about Senate Bill 423 that had been filed in the legislature, and noted that in its revised form, she did not have any opposition to the language. The bill was scheduled to go to the House floor tomorrow, May 29th.

Motion by Mr. LeBlanc, seconded by Mr. Bernard to authorize legal counsel (Akers & Wisbar, LLC) and the Retirement Administrator to settle the Impinj lawsuit in accordance with the recommendations of the securities litigation attorneys.

No discussion and no objections.

Motion passed by those members present.

The next item was Item 6, Committee Reports. There were no committee reports for presentation.

Moving to Item 7, Staff Reports, the chairman noted that under Items 7B and 7C, there were invoices from the law offices of Klausner & Kaufman and Akers & Wisbar, LLC that needed approval for payment.

Motion by Mr. LeBlanc, seconded by Mr. West to approve payment for the charges to the law firm of Klausner & Kaufman Attorneys, as presented.

No discussion and no objections.

Motion passed by those members present.

Motion by Mr. LeBlanc, seconded by Mr. Toups to approve payment for the charges to the law firm of Akers & Wisbar, LLC, as presented.

No discussion and no objections.

Motion passed by those members present.

Under 7F, there were a number of investment manager/consultant invoices for the Board's review.

Under 7G, Cash Activity Report, it was noted that the report would be suspended until after the actuarial valuation was completed.

Under Item 8, Unfinished Business, there were no matters to address.

Ms. Akers then noted that the Ethics Commission's financial reporting requirement under Tier 2.1 was due for all Board members no later than June 8th.

Under Item 9, New Business, the chairman introduced item 9A, Presentation of January 1, 2020 CPERS Actuarial Valuation by Foster & Foster, and recognized Ms. Shelley Johnson. Ms. Johnson began with the CPERS annual valuation, and stated that the projected contribution rate for 2021 increased from 34.9% to 36.0%. This was primarily the result of substantial investment losses in 2018, which will be smoothed over 5 years. However, because of the 16.84% market performance in 2019, some of the prior losses were offset. The other significant factor was the use of the recently revised actuarial assumptions, but the net effect of all the changes only moderately affected the contribution rate. She noted that payroll had stayed stable, the number of participants slightly increased, and that the actuarial value and market value of assets remained fairly level with about an \$11 million differential. Unfunded Actuarial Accrued Liability (UAAL) increased by \$46 million, and the funded ratio decreased from 66.6% to 65.3%. In answer to a question, Ms. Johnson stated that every change in the assumptions was based on actual CPERS experience from the 5-year Experience Study. She noted that the normal cost had increased, administrative expenses had remained level, and the amortization of the UAAL increased to create the 36.0% requirement for the employer contribution. The increase in the UAAL was caused mainly by the prior investment losses, and to a lesser extent the changes in actuarial assumptions. Ms. Johnson then covered the required section of the report dealing with risk, and showed the data for the Support Ratio, Asset Volatility Ratio, Accrued Liability Ratio, and the Funded Ratio for the most recent 4 years. Regarding the Support Ratio, she noted that since more members are inactive than active, any investment losses would need to be recouped faster in order to recover those funds and make the required payments. She stated that projections previously showed the funded ratio would continue to decrease for several years, but that with the addition of assets in 2019, the funded ratio is now expected to stay fairly level until about 2023, when it should start to increase. Ms. Johnson gave a recap of the discount rates used at other Louisiana retirement systems, and stated that CPERS was comparable with the smaller statewide retirement systems. She stated that it was important to state investment return expectations in relation to longer horizons (20 years), versus the 15-year projections that some investment consultants use. She then reviewed details of how the actuarial asset valuation is computed, including the 5-year smoothing of the investment gains and losses.

The next item on the agenda, was Item 9B, Presentation of Report for GASB Statements 67 and 68 for CPERS Trust by Foster & Foster, and Ms. Johnson began by stating that this report was for accounting purposes and not funding purposes. There was a discussion regarding concerns the Finance Department had regarding the future funding of the System as stated in last year's GASB 67 report. Ms. Johnson stated the reasons for the wording in the report, and that the current report did not require similar language. She noted that there were many differences between GASB reporting and actuarial funding reporting.

Skipping to Item 11.E.1, the chairman introduced the item, Presentation of January 1, 2020 PGT Actuarial Valuation by Foster & Foster, and again recognized Ms. Johnson for her presentation. Ms. Johnson began by showing that the employer required contribution rate had increased from 91.22% to 115.65% for calendar year 2021, and that the failure to meet the annual contribution requirement was causing the funded ratio to steadily decline. She noted that the actuarial return on assets was 3.77% versus the discount rate of 5.75%, so on an actuarial basis, there was an investment loss, but on a market basis the investments returned 13.69%. She noted that the actuarial value of assets had decreased from about \$16 million to \$14.5 million, and that of the total liabilities of \$46.5 million, the DROP accounts made up \$31.1 million, and that was concerning. Ms. Johnson stated that some of the most important statements in the report had been underlined to call attention to the risk factors present in the PGT funding. The UAAL rose from \$28.2 million to \$30.5 million, which in part caused the funded ratio to decrease from 36.2% to 32.3%. She noted details of how the required employer contribution amount was calculated, and that administrative expenses are now recognized as part of the calculation. She then covered the details of the calculation of the UAAL. Regarding risk, she discussed the Support Ratio, and noted how rapidly the PGT plan was maturing with a significantly higher ratio of inactive members to active members. She pointed out underlined language regarding the risks of the PGT's funding levels and the risk of not being able to make payments at some point in the future. She stated that they were expecting a contribution of \$1.2 million for 2020, increasing by \$200,000 each year thereafter, which is short of the required contribution,

and is projected to carry the plan to the year 2028, after which the plan will have negative actuarial asset value. A detailed reconciliation of actuarial asset value was then presented. Mr. LeBlanc noted that AndCo had recommended major changes to the PGT's asset allocation, although that will not remedy the funding issue. Ms. Akers stated that as fiduciaries, she wanted to make sure the Board notified the Mayor and the Council in writing of the dire predictions for the PGT funding. The chairman noted that the Council has 2 representatives on the Board, and the Mayor has 1, and that these representatives are tasked with communicating with those parties. Mr. LeBlanc recommended that the Board pass a resolution stating that the report be forwarded to the Mayor and the Council. Ms. Linda Hunt recommended that the resolution be focused on the long-term nature of the PGT problems and underfunding. Mr. West asked if Board members, as fiduciaries, could be held liable unless critical information is communicated. Ms. Akers noted that the Board members could not be held liable for things such as market declines, unless the investments were not invested prudently, but she believed it was important that the funding issue be communicated to those who are responsible.

Motion by Mr. LeBlanc, seconded by Mr. West to receive the CPERS Actuarial Valuation and adopt all the valuations within, including the recommended blended employer contribution rate of 36.0% for calendar year 2021.

No discussion and no objections.

Motion passed by those members present.

Motion by Mr. LeBlanc, seconded by Mr. West to draft a Board resolution regarding the funding of the PGT, to be delivered to the Mayor-President and the Metro Council, with the PGT Actuarial Valuation, highlighting the underlined information in the report.

No discussion and no objections.

Motion passed by those members present.

There was a brief discussion regarding the contribution rate for the PGT, and that it was important to adopt the recommended rate to show that the plan is still being actuarially funded in spite of the large funding deficit.

Motion by Mr. LeBlanc, seconded by Mr. Toups to receive the PGT Actuarial Valuation and adopt all the recommendations included in the report, including the contribution rate.

No discussion and no objections.

Motion passed by those members present.

Discussion continued regarding how to address the funding issue for the PGT, how the problem developed, and that the Board wanted to be on record as having addressed the asset allocation to protect the trust assets.

Under Item 10, Administrative Matters, there were no matters to be addressed.

The chairman then continued with Item 11, Police Guarantee Trust Matters, and under Item 11A, PGT Benefits Report, recognized Mr. Yates who stated that there were only two items on this month's report, and that the report was in order as presented.

Motion by Mr. West, seconded by Mr. Toups to approve the PGT Benefits Report as presented.

No discussion and no objections.

Motion passed by those members participating.

Under Item 11B, the chairman noted that the PGT DROP Notifications Report was provided for the Board's information, and that no action was required.

Item 11C, Consultants' Reports, there were no items to address.

There were a number of investment manager invoices under Item 11D.1 for the Board's review.

Under Item 11D.2 there were no invoices to address.

Under Item 11D.3, PGT Cash Activity Report, it was noted that the report would be suspended until after the actuarial valuation was completed.

Under Items 11F Unfinished Business, and 11G, there were no matters to address.

Mr. Yates noted that the regular employee runoff election had been suspended because of the closure of City-Parish offices, and the staff needed some guidance regarding whether or not to resume the runoff election process, and whether to update the eligible member roll. Mr. Smith stated that normally the staff would use the same voter base as was used for the primary election, but the duration of the shutdown

of offices made it an unusual situation. It was agreed that the voter rolls should be updated for the runoff election, and the chairman asked that this item be placed on the June agenda.

Seeing no further items on the agenda, the chairman called for a motion to adjourn.

Motion by Mr. LeBlanc, seconded by Mr. Toups to adjourn at 11:47 a.m.

No discussion and no objections.

Motion passed by those members participating.

MARSHA HANLON
CHAIRMAN, RETIREMENT BOARD OF TRUSTEES

JEFFREY R. YATES
RETIREMENT ADMINISTRATOR